

MORGAN COUNTY

Financial Statements - December 31, 2004

(With Auditors' Report Thereon)

MORGAN COUNTY

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-8
 Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10
Governmental Funds Statements	
Balance Sheet	11
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	14
Proprietary Funds Statements	
Statement of Net Assets	15
Statement of Revenues, Expenses, and Changes in Fund Net Assets	16
Statement of Cash Flows	17
Statement of Fiduciary Net Assets	18
Notes to Financial Statements	19-28
 Required Supplemental Information	
Notes to Required Supplementary Information	29
Budgetary Comparisons - Major Governmental Funds	
General Fund	30-32
Bond Interest Special Revenue Fund	33
Flood Special Revenue Fund	34
 Supplemental Information	
Non-Major Governmental Funds	
Combining Balance Sheet	35
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	36
Combined Statement of Changes in Assets and Liabilities - All Agency Funds	37-38
Statement of General Fixed Assets by Sources	39
Statement of General Fixed Assets by Function and Activity	40
Statement of Changes in Fixed Assets	41
Statement of Taxes Charged, Collected and Distributed	42
Independent Auditors' Legal Compliance Report	43
Schedule of Findings and Questioned Costs	44
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	45

Independent Auditors' Report

Honorable Council Members
Morgan County
Morgan, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Morgan County, as of and for the year ended December 31, 2004 which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morgan County as of December 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 7, 2005 on our consideration of Morgan County's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

As described in Note 15, the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of December 31, 2004.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual non-major fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Crane, Christensen & Ambrose P.C.

June 7, 2005

MORGAN COUNTY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2004

INTRODUCTION

The following is a discussion and analysis of Morgan County's financial performance and activities for the year ended December 31, 2004. When read in conjunction the notes to the financial statements, this section's financial highlights, overview and analysis should assist the reader to gain a more complete knowledge of the County's financial performance. Beginning this year, the County implemented new reporting standards established by the Governmental Accounting Standards Board (GASB). These new standards significantly changed the content and structure of the financial statements. In this first year of GASB 34 implementation, prior year's data has not been converted to the same format and thus not easily comparable to previous years. This discussion will contain comparative analysis in future years when prior year information is available.

HIGHLIGHTS

Government-wide

- The County's net assets decreased \$94,000 primarily due to the removal of certain capital assets and a slight increase in the County's long term debt.

Fund Level

- Fund balances of the County's governmental funds increased \$130,000 or 6% from the prior year.
- Property tax revenues were \$1.7 million for 2004 which represents a 4% increase over the 2003 amount.
- The County's sales taxes were \$630,000, which is 10% higher than the 2003 number.

Long-term Debt

- The County's long-term debt was virtually unchanged as 2004 principal reductions were offset by increases in capital leases.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report includes the County's Basic Financial Statements. The Basic Financial Statements include three components: 1) governmental-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the Basic Financial Statements, this report also contains the required supplementary information, as well as, additional supplementary information and fund data, including combining statements for non-major funds.

The government-wide view of the County's finances is a requirement under the GASB Statement 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and became effective for the County for 2004. Fund financial statements have been reported in the past.

Government-wide Statements – Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities beginning on page 9 comprise the government-wide financial statements. These statements provide a broad overview with a long-term focus of the County's finances as a whole and are prepared using the full-accrual basis of accounting, similar to private-sector companies. This means all revenues and expenses are recognized regardless of when cash is received or spent, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

MORGAN COUNTY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2004

The statement of net assets presents information showing how the County's assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Morgan County's governmental activities include general government, public safety, public health, public works, recreation and library services.

The government-wide statements also include information about two component units, Morgan County Fair Board and the Municipal Building Authority.

Fund Financial Statements – Reporting the County's Most Significant Funds

The fund financial statements beginning on page 11 provide detailed information about individual major funds, not the County as a whole. A fund is a group of related accounts that the County uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the County's funds can be divided into three types: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Most of the County's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide statements. Governmental funds use the modified accrual basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at year-end that are available for future spending. This short-term view of the County's financial position helps determine whether the County has sufficient resources to cover expenditures for its basic services in the near future.

Proprietary Funds – Proprietary funds are presented using the full-accrual basis of accounting. Morgan County uses two different types of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County operates its garbage fund as an enterprise fund. Internal service funds account for operations that provide services to other governments on a cost-reimbursement basis. The County's Municipal Building Authority (MBA) operates as an internal service fund.

Fiduciary Funds – Fiduciary funds are account for resources held for the benefit of parties outside the government. Fiduciary funds use full-accrual accounting but are not included in the government-wide statements because the assets in those funds are not available to finance the County's own programs.

Reconciliation Between Government-wide and Fund Statements

The financial statements include schedules on pages 12 and 14 that reconcile the amounts reported for governmental activities on the government-wide statements (full accrual accounting, long-term focus) with amounts reported on the governmental fund statements (modified accrual accounting, short-term focus). Following are some of the major differences between the two statements.

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.
- Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements.

MORGAN COUNTY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2004

- Debt proceeds result in liabilities on the government-wide statements but are other financing sources on the governmental fund statements.

Notes to the Financial Statements

The notes beginning on page 19 provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statement.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The largest component of the County's net assets reflects investments in capital assets (land, buildings, equipment, roads, and other infrastructure) less all outstanding debt that was issued to buy or build those assets. As Capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities. Resources needed to repay capital-related debt must be provided from other sources.

Restricted net assets comprise 7% of total net assets and are subject to external restrictions on how they may be used. Unrestricted net assets at December 31, 2004 is \$1,887,066.

Morgan County Net Assets December 31, 2004			
	Governmental Activities	Business-type Activities	Total Primary Government
Current and Other Assets	\$ 2,413,125	\$ 71,129	\$ 2,484,254
Capital Assets	<u>\$ 6,240,040</u>	<u>\$ 7,975</u>	<u>\$ 6,248,015</u>
Total Assets	\$ 8,653,165	\$ 79,104	\$ 8,732,269
Liabilities	<u>\$ 1,176,486</u>	<u>\$ -</u>	<u>\$ 1,176,486</u>
Total Liabilities	\$ 1,176,486	\$ -	\$ 1,176,486
Net Assets:			
Invested in capital assets			
Net of related Debt	\$ 5,112,692	\$ 7,975	\$ 5,120,667
Restricted	\$ 548,050	\$ -	\$ 548,050
Unrestricted	<u>\$ 1,815,937</u>	<u>\$ 71,129</u>	<u>\$ 1,887,066</u>
Total Net Assets	<u>\$ 7,476,679</u>	<u>\$ 79,104</u>	<u>\$ 7,555,783</u>

MORGAN COUNTY, UTAH

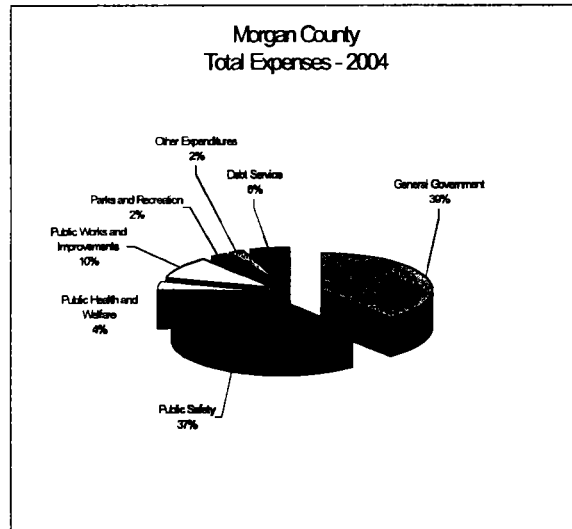
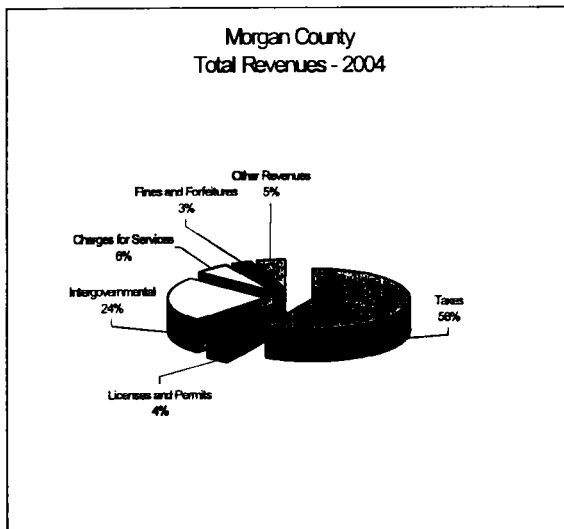
MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2004

Changes in Net Assets

The County's combined net assets decreased by \$94,317 or 1% from the prior year. Net assets of the governmental activities decreased \$124,611 or 2% due mainly to depreciation of the County's capital assets. The County's business-type activities, the garbage fund, had an increase in net assets of \$30,294 or 62%.

The following charts summarize the County's revenues and expenditures for 2004.



Governmental Activities

Total tax revenues showed moderate increases during 2004. General sales taxes increased approximately 10%. Property taxes edged upward due to continued development of residential growth. Net assets for governmental activities decreased this year due mostly to depreciation costs of the County's capital assets.

Morgan County Changes in Net Assets For the Year Ended December 31, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Revenues			
General Revenues:			
Taxes	\$ 2,561,492		\$ 2,561,492
Other General Revenues	\$ 553,451		\$ 553,451
Program Revenues:			
Charges for Services	\$ 253,265	\$ 325,938	\$ 579,203
Operating Grants	\$ 1,083,395		\$ 1,083,395
Capital Grants	\$ -	\$ -	\$ -
Total Revenues	\$ 4,451,603	\$ 325,938	\$ 4,777,541

MORGAN COUNTY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2004

Expenses			
General Government	\$ 1,936,746		\$ 1,936,746
Public Safety	\$ 1,544,675		\$ 1,544,675
Public Health	\$ 175,896		\$ 175,896
Public Works	\$ 676,136		\$ 676,136
Parks and recreation	\$ 91,150		\$ 91,150
Other expenditures	\$ 151,611		\$ 151,611
Garbage Service	\$ -	\$ 304,024	\$ 304,024
Total Expenditures	\$ 4,576,214	\$ 304,024	\$ 4,880,238
Changes in Net Assets	(\$ 124,611)	\$ 30,294	(\$ 94,317)
Net Assets - Beginning (as restated)	\$ 7,601,290	\$ 48,810	\$ 7,650,100
Net Assets - Ending	\$ 7,476,679	\$ 79,104	\$ 7,555,783

The table below shows to what extent the County's governmental activities relied on taxes and other general revenues to cover all of their costs. For 2004, these programs generated \$1,336,660 or 29% of their total expenses through charges for services and grants. Taxes and other general revenues covered the balance of the expenses.

Morgan County
Net Cost of Government Activities
For the Year Ended December 31, 2004

	Total Program Expenses	Less Program Revenues	Net Program Costs
General Government	\$ 1,936,746.00	\$ 259,327.00	\$ (1,677,419.00)
Public safety	\$ 1,544,675	\$ 628,974	\$ (915,701)
Public health and welfare	\$ 175,896	\$ 115,536	\$ (60,360)
Public works and improvements	\$ 676,136	\$ 332,823	\$ (343,313)
Parks and recreation	\$ 91,150	\$ -	\$ (91,150)
Other expenditures	\$ 151,611	\$ -	\$ (151,611)
Total Government Activities	\$ 4,576,214	\$ 1,336,660	\$ (3,239,554)

MORGAN COUNTY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2004

Business-type Activities

The garbage service continues to generate sufficient revenues to cover its operating costs. Net income for 2004 was approximately \$30,000. Revenue increased by \$2,600 while expenses decreased by \$2,400.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

The majority of the increases were the result of new public safety vehicles. During the year, the County increased its capitalization threshold, which resulted in the elimination of numerous smaller and older assets.

Long-term Debt

At December 31, 2004, Morgan County had the following long-term outstanding debt associated with governmental activities. There was no long term debt associated with business type activities.

Morgan County Long-term Liabilities December 31, 2004		
	<u>Governmental Activities</u>	
Lease Revenue Bonds		
Mtn. Green Fire Station	\$	273,000
Capital Leases Payable		
Sheriff Vehicle Lease	\$	222,912
General Equipment Leases	\$	4,253
Fire Truck	\$	147,183
General Obligation Bonds		
Library/Senior Center	\$	480,000
Compensated Absences	\$	49,138
Total	\$	<u>1,176,486</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Fund Balances

At December 31, 2004, Morgan County's governmental funds reported combined fund balances of \$2,377,737. The following chart presents the County's 2004 ending balances.

Morgan County Governmental Fund Balances For the Year Ended December 31, 2004			
	<u>Reserved</u>	<u>Unreserved</u>	<u>Total</u>
General Fund	\$ 548,050	\$ 887,110	\$ 1,435,160
Bond Interest	\$ -	\$ 433,158	\$ 433,158
Flood Fund	\$ -	\$ 279,919	\$ 279,919
Non-major Funds	\$ -	\$ 229,500	\$ 229,500
	<u>\$548,050</u>	<u>\$1,829,687</u>	<u>\$ 2,377,737</u>

MORGAN COUNTY, UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2004

General Fund

During 2004, the fund balance in the General Fund increased \$114,000 due to various revenues being higher than anticipated.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County's general fund revenues were \$335,170 higher than was anticipated when the budget was adopted. Expenditures were \$214,564 higher than what was budgeted but this amount was covered by related lease proceeds. The resulting change in fund balance was \$114,000 higher than budgeted.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Morgan County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information in this report or any other matters related to the County's finances should be addressed to:

Morgan County Clerk/Auditor
P.O. Box 886
Morgan, UT 84050

MORGAN COUNTY

Statement of Net Assets

December 31, 2004

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets:			
Cash and cash equivalents	\$ 2,374,730	42,077	2,416,807
Accounts receivable	36,930	29,052	65,982
Prepaid items	1,465	-	1,465
Capital assets:			
Land and related non-depreciable assets	1,292,343	-	1,292,343
Buildings	4,079,160	-	4,079,160
Depreciable infrastructure and improvements	650,312	-	650,312
Machinery and equipment	3,306,973	118,458	3,425,431
Less accumulated depreciation	(3,088,748)	(110,483)	(3,199,231)
Total capital assets	6,240,040	7,975	6,248,015
Total assets	8,653,165	79,104	8,732,269
Liabilities:			
Noncurrent liabilities:			
Due within one year	323,367	-	323,367
Due in more than one year	853,119	-	853,119
Total liabilities	1,176,486	-	1,176,486
Net assets:			
Invested in capital assets, net of related debt	5,112,692	7,975	5,120,667
Restricted for:			
Class B roads	380,567	-	380,567
Restaurant tax	80,504	-	80,504
Liquor allotment	54,248	-	54,248
Transient room tax	20,498	-	20,498
Tourism tax	12,233	-	12,233
Unrestricted	1,815,937	71,129	1,887,066
Total net assets	\$ 7,476,679	79,104	7,555,783

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Statement of Activities

Year Ended December 31, 2004

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental:				
General government	\$ 1,936,746	137,999	121,328	-
Public safety	1,544,675	9,078	619,896	-
Public health and welfare	175,896	106,188	9,348	-
Public works and improvements	676,136	-	332,823	-
Parks and recreation	91,150	-	-	-
Other expenditures	151,611	-	-	-
Total governmental activities	<u>4,576,214</u>	<u>253,265</u>	<u>1,083,395</u>	<u>-</u>
Business-type:				
Garbage service	<u>304,024</u>	<u>325,938</u>	-	-
Total business-type activities	<u>304,024</u>	<u>325,938</u>	-	-
Total primary government	<u>4,880,238</u>	<u>579,203</u>	<u>1,083,395</u>	<u>-</u>
General revenues:				
Property tax				
Sales and related taxes				
Total taxes				
Unrestricted interest earned				
Other general revenues:				
Miscellaneous				
Total other general revenues				
Total general revenues, special items and transfers				
Change in net assets				
Net assets - beginning of year				
Prior period adjustment				
Net assets - beginning of year - restated				
Net assets - end of year				

See independent auditors' report and notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
(1,677,419)	-	(1,677,419)
(915,701)	-	(915,701)
(60,360)	-	(60,360)
(343,313)	-	(343,313)
(91,150)	-	(91,150)
(151,611)	-	(151,611)
<u>(3,239,554)</u>	<u>-</u>	<u>(3,239,554)</u>
<u>-</u>	<u>21,914</u>	<u>21,914</u>
<u>-</u>	<u>21,914</u>	<u>21,914</u>
<u>(3,239,554)</u>	<u>21,914</u>	<u>(3,217,640)</u>
1,898,136	-	1,898,136
663,356	-	663,356
<u>2,561,492</u>	<u>-</u>	<u>2,561,492</u>
-	8,380	8,380
<u>553,451</u>	<u>-</u>	<u>553,451</u>
<u>553,451</u>	<u>-</u>	<u>553,451</u>
<u>3,114,943</u>	<u>8,380</u>	<u>3,123,323</u>
<u>(124,611)</u>	<u>30,294</u>	<u>(94,317)</u>
6,130,085	48,810	6,178,895
1,471,205	-	1,471,205
<u>7,601,290</u>	<u>48,810</u>	<u>7,650,100</u>
<u>7,476,679</u>	<u>79,104</u>	<u>7,555,783</u>

MORGAN COUNTY

Balance Sheet
Governmental Funds

December 31, 2004

<u>Assets</u>	<u>General Fund</u>	<u>Bond Interest Fund</u>	<u>Flood Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash (note 2)	\$ 1,404,615	433,158	279,919	229,035	2,346,727
Accounts receivable (note 3)	36,930	-	-	-	36,930
Prepaid items	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>465</u>	<u>1,465</u>
	<u>\$ 1,442,545</u>	<u>433,158</u>	<u>279,919</u>	<u>229,500</u>	<u>2,385,122</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Compensated absences	\$ <u>7,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,385</u>
Total liabilities	<u>7,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,385</u>
Fund balances:					
Reserve for Class B roads	380,567	-	-	-	380,567
Reserved for restaurant tax	80,504	-	-	-	80,504
Reserved for liquor allotment	54,248	-	-	-	54,248
Reserved for transient room tax	20,498	-	-	-	20,498
Reserved for tourism tax	12,233	-	-	-	12,233
Unreserved	<u>887,110</u>	<u>433,158</u>	<u>279,919</u>	<u>229,500</u>	<u>1,829,687</u>
Total fund balances	<u>1,435,160</u>	<u>433,158</u>	<u>279,919</u>	<u>229,500</u>	<u>2,377,737</u>
	<u>\$ 1,442,545</u>	<u>433,158</u>	<u>279,919</u>	<u>229,500</u>	<u>2,385,122</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

December 31, 2004

Total fund balance - governmental funds		\$ 2,377,737
Amount reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported as assets in governmental funds. These assets consist of:		
Land and related non-depreciable assets	\$ 1,292,343	
Buildings	3,742,328	
Depreciable infrastructure and improvements	650,312	
Machinery and equipment	3,306,973	
Accumulated depreciation	<u>(3,063,139)</u>	
Total capital assets		5,928,817
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of those internal service funds that primarily benefit governmental entities are included with governmental activities in the statement of net assets.		66,226
Some general liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(480,000)	
Leases payable	(374,348)	
Compensated absences and benefits	<u>(41,753)</u>	
Total long-term debt		<u>(896,101)</u>
Total net assets - governmental activities		\$ <u>7,476,679</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended December 31, 2004

	General Fund	Bond Interest Fund	Flood Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,076,801	268,978	-	215,713	2,561,492
Licenses and permits	181,170	-	-	-	181,170
Intergovernmental	1,010,805	-	-	43,682	1,054,487
Charges for services	253,265	-	-	-	253,265
Fines and forfeitures	146,101	-	-	-	146,101
Other revenues	<u>144,407</u>	<u>-</u>	<u>-</u>	<u>65,723</u>	<u>210,130</u>
Total revenues	<u>3,812,549</u>	<u>268,978</u>	<u>-</u>	<u>325,118</u>	<u>4,406,645</u>
Expenditures:					
Current:					
General government	1,553,364	-	-	244,069	1,797,433
Public safety	1,677,811	-	-	-	1,677,811
Public health and welfare	161,042	-	-	-	161,042
Public works and improvements	467,108	-	-	-	467,108
Parks and recreation	34,362	-	-	77,192	111,554
Other expenditures	106,756	-	-	-	106,756
Debt service	<u>-</u>	<u>262,805</u>	<u>-</u>	<u>-</u>	<u>262,805</u>
Total expenditures	<u>4,000,443</u>	<u>262,805</u>	<u>-</u>	<u>321,261</u>	<u>4,584,509</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(187,894)</u>	<u>6,173</u>	<u>-</u>	<u>3,857</u>	<u>(177,864)</u>
Other financing sources (uses):					
Capital lease proceeds	307,377	-	-	-	307,377
Transfers in	-	-	-	5,393	5,393
Transfers (out)	<u>(5,393)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,393)</u>
Total other financing sources (uses)	<u>301,984</u>	<u>-</u>	<u>-</u>	<u>5,393</u>	<u>307,377</u>
Net changes in fund balances	114,090	6,173	-	9,250	129,513
Fund balances - beginning of year	<u>1,321,070</u>	<u>426,985</u>	<u>279,919</u>	<u>220,250</u>	<u>2,248,224</u>
Fund balances - end of year	<u>\$ 1,435,160</u>	<u>433,158</u>	<u>279,919</u>	<u>229,500</u>	<u>2,377,737</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities

Year Ended December 31, 2004

Net change in fund balance - total governmental funds		\$ 129,513
Amount reported for governmental activities in the statement of activities are different because:		
Government funds report capital outlays as expenditures (\$872,642). However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (\$436,083). Capital outlays exceeded depreciation for the period.		436,559
Adjustments and asset retirements of general government capital assets are not reported in the fund statements but are reflected in the entity-wide statement of activities		(683,332)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		12,299
The increases in long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Capital leases	\$ (307,377)	
Compensated absences	<u>(5,068)</u>	(312,445)
Government funds report payments on general long-term liabilities in the fund statements but these transactions are excluded from the entity-wide statement of activities		<u>292,795</u>
Changes in net assets of governmental activities		\$ <u>(124,611)</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Statement of Net Assets
Proprietary Funds

December 31, 2004

	Business-Type Activities - Garbage Enterprise Fund	Governmental Activities - MBA Internal Service Fund
Assets:		
Cash	\$ 42,077	28,003
Accounts receivable	29,052	-
Building and improvements	-	336,832
Machinery and equipment	118,458	-
Accumulated depreciation	<u>(110,483)</u>	<u>(25,609)</u>
Total assets	<u>79,104</u>	<u>339,226</u>
Liabilities:		
Bonds payable	<u>-</u>	<u>273,000</u>
Total liabilities	<u>-</u>	<u>273,000</u>
Net assets:		
Invested in capital assets, net of related debt	7,975	38,223
Unrestricted	<u>71,129</u>	<u>28,003</u>
Total net assets	<u>\$ 79,104</u>	<u>66,226</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Year Ended December 31, 2004

	Business-Type Activities - Garbage Enterprise Fund	Governmental Activities - MBA Internal Service Fund
Operating revenues:		
Charges for services	\$ 312,907	-
Miscellaneous	<u>13,031</u>	<u>16,050</u>
Total operating revenues	<u>325,938</u>	<u>16,050</u>
Operating expenses:		
Personnel services	9,708	-
Contractual services	285,600	-
Materials and supplies	5,887	-
Depreciation	<u>2,829</u>	<u>25,609</u>
Total operating expenses	<u>304,024</u>	<u>25,609</u>
Operating income (loss)	<u>21,914</u>	<u>(9,559)</u>
Non-operating revenues (expenses):		
Intergovernmental	-	28,908
Interest revenue	8,380	-
Interest expense	<u>-</u>	<u>(7,050)</u>
Total non-operating revenues (expenses)	<u>8,380</u>	<u>21,858</u>
Change in net assets	30,294	12,299
Net assets - beginning of year	<u>48,810</u>	<u>53,927</u>
Net assets - end of year	<u>\$ 79,104</u>	<u>66,226</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Statement of Cash Flows
Proprietary Funds

Year Ended December 31, 2004

	Business-Type Activities - Garbage Enterprise Fund	Governmental Activities - MBA Internal Service Fund
Cash flows from operating activities:		
Cash received from customers	\$ 311,282	-
Cash received from other activities	13,031	16,050
Cash payments for payroll and benefits	(9,708)	-
Cash payments for goods and services	<u>(299,027)</u>	<u>-</u>
Net cash provided by operating activities	<u>15,578</u>	<u>16,050</u>
Cash flows from investing activities:		
Interest earned on cash deposits	<u>8,380</u>	<u>-</u>
Net cash provided by investing activities	<u>8,380</u>	<u>-</u>
Cash flows from noncapital financing activities	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Capital grants	-	28,908
Cash payments for property and equipment purchases	(2,633)	(28,909)
Interest paid	-	(7,050)
Payment on debt	<u>-</u>	<u>(9,000)</u>
Net cash used for capital and related financing activities	<u>(2,633)</u>	<u>(16,051)</u>
Net increase (decrease) in cash and cash equivalents	21,325	(1)
Cash and cash equivalents - beginning of year	<u>20,752</u>	<u>28,004</u>
Cash and cash equivalents - end of year	<u>\$ 42,077</u>	<u>28,003</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 21,914	(9,559)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,829	25,609
Increase in accounts receivable	(1,625)	-
Decrease in accounts payable	<u>(7,540)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 15,578</u>	<u>16,050</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Statement of Fiduciary Net Assets

Year Ended December 31, 2004

	<u>Agency Funds</u>
Assets:	
Cash and investments	\$ 270,421
Accounts receivable	<u>42,023</u>
Total assets	<u>\$ 312,444</u>
Liabilities:	
Accounts payable and accrued liabilities	\$ 164,218
Due to other governmental entities	<u>148,226</u>
Total liabilities	<u>\$ 312,444</u>

See independent auditors' report and notes to financial statements.

MORGAN COUNTY

Notes to Financial Statements

December 31, 2004

(1) Summary of Significant Accounting Policies

Morgan County is incorporated under the constitutional provisions of the State of Utah. The County operates under a council form of government. It provides the following services as authorized by its charter: public safety, public health, highways and streets, sanitation, social services, culture-recreation, public improvements, judicial services, planning and zoning, libraries, and general administrative services. The financial statements of Morgan County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

A. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present Morgan County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units:

Morgan County Fair Board - The Morgan County Fair Board (Fair) is financially accountable to the County Commission. The Fair is reported as if it were part of the primary government because it was established for the benefit of County residents.

Municipal Building Authority of Morgan County - The Municipal Building Authority (Authority) is governed by the County Council. Although it is legally separate from the County, the Authority is reported as if it were part of the primary government because its sole purpose is to issue revenue bonds for construction of buildings which are leased by the County.

B. Government-Wide and Fund Financial Statements

The County's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the County as a whole, while the fund statements focus on individual funds.

Government-Wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of interfund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities.

The Statement of Net Assets presents the County's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The County does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and statutory mandate. The various funds are grouped, in the financial statements in this report, into fund types and categories as follows:

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2004

(1) Summary of Significant Accounting Policies - Continued

Governmental Fund Types:

General fund - The general fund is the general operating fund of the County. It is used to account for all financial resources except those that are required to be accounted for in other funds. It also includes the financial activities related to most federal and state funds.

Special revenue funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. The County's Flood/Disaster, Flood, Health Services, Mineral Leases, Library, Fair and Bond Interest Funds are reported as special revenue funds.

Capital projects funds - These funds are used to account for financial resources to be used for the acquisition or construction of general major capital facilities.

Proprietary Fund Types:

Enterprise fund - The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The County operates its garbage fund as an enterprise fund.

Internal service fund - Account for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Fiduciary Fund Types:

Agency fund - Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or funds. Agency funds held by the County include the treasurer's tax collection fund, the circuit court fund and several miscellaneous agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Basis of Accounting

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in net total assets.

All governmental funds are accounted for using the modified accrual basis of accounting. That is, revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property and sales taxes are considered "available" when in the hands of intermediary collecting governments and are recognized as revenue at that time. All other governmental fund revenue is recognized if it will be available within a one-year period. Those revenues susceptible to accrual are property taxes, franchise taxes, interest revenue, charges for services and sales taxes collected and held by the state at year-end on behalf of the County.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued in the individual funds because the current portion of these items cannot be reasonably estimated and (2) principal and interest on general long-term debt which is recognized when due.

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2004

(1) Summary of Significant Accounting Policies

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The County applies only the applicable FASB pronouncements issued on or before November 30, 1989.

D. Budgets

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act of Utah Counties" by the Morgan County Council on or before December 15th for the following fiscal year which begins on January 1. Budgets may be increased by resolution of the County Commission at any time during the year, following a public hearing. Budgets are prepared in line-item detail; however, budget amendments by resolution are generally required only if the fund desires to exceed its total budget appropriation. The County follows Uniform Fiscal Procedures for Counties as adopted by the State Legislature for policies concerning its budgetary accounting. Annual budgets are adopted for all governmental fund types. All annual appropriations lapse at fiscal year end.

During the year, two supplemental appropriations were made to the County's budget for a total of \$526,615.

E. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	50 years
Equipment and machinery	5-20 years
Other improvements	10-30 years

F. Reservations of Fund Balance/Retained Earnings

The County is required to reserve part of the fund balance of the general fund to account for the unexpended portions of certain types of revenue. The reserved fund balances are for class "B" road revenue, restaurant tax, liquor tax, transient room tax and tourism tax.

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2004

(2) Cash

Cash consisted of the following at December 31, 2004:

	Cash in Custody of Treasurer	Restricted Cash	Total
General fund	\$ 856,565	548,050	1,404,615
Special revenue funds	942,053	-	942,053
Capital projects funds	59	-	59
Enterprise fund	42,077	-	42,077
Internal service fund	28,003	-	28,003
Agency funds	-	270,421	270,421
	<u>\$ 1,868,757</u>	<u>818,471</u>	<u>2,687,228</u>

Unrestricted and restricted cash balances of all funds are combined to form a pool of cash and investments which is managed by the County Treasurer. Utah State Statutes allow for investments in the State Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain in excess of insured amounts. The County Treasurer invests unrestricted cash with the Utah Public Treasurer's Investment Fund and with financial institutions on the approved list. Investments in the pooled cash fund consist primarily of certificates of deposit and time deposits and are carried at cost which approximates fair value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash and investments. The County's investments are categorized below to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered. Category 3 includes investments which are un-collateralized. At December 31, 2004 the County's carrying amount of cash and temporary investments was \$2,687,228 with a bank balance of \$5,673,333.

	Category 1	Category 3	Market and Carrying Amount
Cash in bank	\$ 100,000	2,185,366	2,285,366
Utah Public Treasurer's Investment Fund	-	401,862	401,862
	<u>\$ 100,000</u>	<u>2,587,228</u>	<u>2,687,228</u>

(3) Accounts Receivable

Accounts receivable are shown net of an allowance for doubtful accounts. In the general fund the allowance is \$19,412 and in the enterprise fund the allowance is \$1,530.

(4) Capital Assets

Capital asset activity for the year ended December 31, 2004 was as follows:

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and land improvements	\$ 1,292,343	-	-	1,292,343
Total	<u>1,292,343</u>	<u>-</u>	<u>-</u>	<u>1,292,343</u>

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2004

(4) Capital Assets - Continued

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Buildings	\$ 3,720,317	27,000	(4,989)	3,742,328
Other improvements	743,572	10,000	(103,260)	650,312
Equipment	<u>3,046,414</u>	<u>835,642</u>	<u>(575,083)</u>	<u>3,306,973</u>
Total	<u>7,510,303</u>	<u>872,642</u>	<u>(683,332)</u>	<u>7,699,613</u>
Less accumulated depreciation for:				
Buildings	(812,876)	(78,251)	-	(891,127)
Other improvements	(199,168)	(30,279)	-	(229,447)
Equipment	<u>(1,615,012)</u>	<u>(327,553)</u>	-	<u>(1,942,565)</u>
Total	<u>(2,627,056)</u>	<u>(436,083)</u>	-	<u>(3,063,139)</u>
Capital assets being depreciated, net	<u>4,883,247</u>	<u>436,559</u>	<u>(683,332)</u>	<u>4,636,474</u>
Governmental activity capital assets, net	<u>\$ 6,175,590</u>	<u>436,559</u>	<u>(683,332)</u>	<u>5,928,817</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets being depreciated	\$ 115,825	2,633	-	118,458
Less accumulated depreciation	<u>(107,654)</u>	<u>(2,829)</u>	-	<u>(110,483)</u>
Capital assets being depreciated, net	<u>8,171</u>	<u>(196)</u>	-	<u>7,975</u>
Business-type activities capital assets, net	<u>\$ 8,171</u>	<u>(196)</u>	-	<u>7,975</u>

Capital assets in the statement of net assets also includes the equipment and other depreciable assets, net of accumulated depreciation, for the internal service funds of \$311,223.

Depreciation expense of governmental activities was charged to functions as follows:

General Government	\$ 124,997
Public Safety	187,935
Public Health and Welfare	13,972
Public Works and Improvements	87,583
Parks and Recreation	21,596
Depreciation on capital assets of the County's internal service funds is charged to the various functions based on their usage of assets	<u>25,609</u>
Total	<u>\$ 461,692</u>

(5) Lease Revenue Bonds

On July 16, 2002, the County's Municipal Building Authority issued \$289,795 of lease revenue bonds to construct a fire station in Mountain Green, Utah. When construction on the fire station is completed, the facility will be transferred to the Mountain Green Fire Protection District under a capital lease contract between the District and the Municipal Building Authority of Morgan County. The lease revenue bonds will be paid from the proceeds of the capital lease. The bonds carry an interest rate of 2.5% and will be paid off in 2027. Annual payments are as follows:

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2004

(5) Lease Revenue Bonds - Continued

<u>Year Ending December 31,</u>	<u>Principal Payment</u>
2005	\$ 9,000
2006	9,000
2007	9,000
2008	10,000
2009	10,000
2010 and after	<u>226,000</u>
	<u>\$ 273,000</u>

(6) Capital Leases Payable

The County has capital leases included in general long-term debt. The debt is to be paid with general fund revenue. Future minimum lease payments together with the present value of the net minimum lease payments under capital leases at December 31, 2004 are summarized as follows:

<u>Year Ending December 31,</u>	<u>Sheriff Vehicle Leases</u>	<u>General Equipment Leases</u>	<u>Fire Truck Lease</u>
2005	\$ 58,344	2,486	17,923
2006	58,344	2,486	17,923
2007	58,344	-	17,923
2008	58,344	-	17,923
2009	6,269	-	17,923
Thereafter	-	-	89,615
Total lease payments	<u>239,645</u>	<u>4,972</u>	<u>179,230</u>
Less amount representing interest	<u>16,733</u>	<u>719</u>	<u>32,047</u>
Present value of minimum lease payments	<u>222,912</u>	<u>4,253</u>	<u>147,183</u>
Less current portion	<u>51,362</u>	<u>2,015</u>	<u>18,605</u>
Portion of obligations under capital leases due after one year	<u>\$ 171,550</u>	<u>2,238</u>	<u>128,578</u>

(7) General Obligation Bonds

On September 1, 1996, the County issued \$2,000,000 in general obligation bonds. The bonds were used to build a new library and seniors center and to upgrade the current county courthouse. The bonds are being repaid by a new tax levy in the library construction fund. Debt service on the bonds is as follows:

<u>Payment Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Period Total</u>
3-1-2005	\$ -	12,904	12,904
9-1-2005	235,000	12,904	247,904
3-1-2006	-	6,676	6,676
9-1-2006	<u>245,000</u>	<u>6,675</u>	<u>251,675</u>
	<u>\$ 480,000</u>	<u>39,159</u>	<u>519,159</u>

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2004

(8) Changes in Governmental Activity Debt

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Lease revenue bonds	\$ 282,000	-	9,000	273,000	9,000
General obligation bonds	705,000	-	225,000	480,000	235,000
Capital leases	134,766	299,739	60,157	374,348	71,982
Compensated absences	38,855	10,283	-	49,138	7,385
	<u>\$ 1,160,621</u>	<u>310,022</u>	<u>294,157</u>	<u>1,176,486</u>	<u>323,367</u>

(9) Compensated Absences, Accumulated Unpaid Vacation, Sick Pay, Compensatory Time

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the government fund that will pay it. The amount of the liability expected to be liquidated with expendable and available financial resources has been shown as a liability in the general fund. The remaining amount not expected to be liquidated with expendable available financial resources is reported in the general long-term debt account group.

(10) Retirement Plans

Plan Description

Morgan County (County) contributes to the Local Governmental Non-contributory and Public Safety Contributory Systems, which are cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The System is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Non-contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Non-Contributory System the County contributes a combined rate of 11.09% of covered salary. The County contributes 19.08% to the Public Safety Non-contributory System based on covered wages. The contribution rate is actuarially determined. The contribution requirements of the System is authorized by statute and specified by the Board.

The County's contributions to the various systems for December 31, 2004, 2003 and 2002 were as follows:

A. Local Governmental System - Non-contributory

<u>2004</u>	<u>2003</u>	<u>2002</u>	
\$ 796,930	795,904	805,073	Salary subject to retirement contributions.
82,575	72,881	67,984	Employer contributions.

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2004

(10) Retirement Plans - Continued

B. Pubic Safety - Non-contributory

<u>2004</u>	<u>2003</u>	<u>2002</u>	
\$ 260,691	264,207	271,807	Salary subject to contributions.
46,066	39,829	38,020	Employer contributions.

C. 401(K) Contributions

<u>2004</u>	<u>2003</u>	<u>2002</u>	
\$ 34,761	36,419	42,274	Employee paid contributions.
25,771	21,608	21,104	Employer paid for employee contributions.

The above contributions were equal to the required contributions for each year.

(11) Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is involved in various lawsuits at this time. Any possible liabilities as a result of these lawsuits cannot be determined at this point in time.

(12) Risk Management

Morgan County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage.

(13) Tax Calendar

<u>Duties to be Completed</u>	<u>Authorizing Statute</u>	<u>Statute Date</u>
Lien date	59-10-3 59-5-4	01/01
County treasurer to settle taxes charged and collected for previous year	59-10-66	03/31
County assessor delivers roll to county auditor	59-5-30	05/15
Tax commission reports value of centrally assessed property to counties	59-6-20	05/25
County assessor delivers to county auditor statement showing aggregate valuation of all taxable property	59-5-6	06/01
County auditor sends valuation, certified tax rate and levy work sheets to each taxing district	59-5-6	06/01

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2004

(13) Tax Calendar - Continued

<u>Duties to be Completed</u>	<u>Authorizing Statute</u>	<u>Statute Date</u>
Taxing district must adopt a proposed tax rate, certify the rate and levy, and submit to county auditor	59-9-7	before 06/15
County to set proposed tax rates	59-9-6.3	06/15
Taxing districts adopt tentative budgets and notify county of intent to exceed certified tax rate	59-5-6	06/15
County auditor to submit levy work sheets and supporting documentation to tax commission		06/15
County treasurer to mail tax notice	59-10-10	11/01
Counties post tentative budget		11/01
County auditor delivers assessment roll with affidavit	59-8-7	11/01
Payment and delinquency date	59-10-26	11/30
Counties adopt final budget		12/15
Delinquency list published	59-10-29	12/31

(14) Departments Over Budget

The County had two departments that overspent their budgets for 2004.

(15) Accounting Changes and Restatements - New Accounting Standards

The County implemented the following new accounting standards issued by the Governmental Accounting Standards Board for the year ended December 31, 2004:

Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

Statement 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*.

Statement 38, *Certain Financial Statements Note Disclosures*.

Statement 34, as amended by Statement 37, establishes new financial reporting standards for state and local governments. The new standards significantly change the financial reporting model used by all governments, including changes in statement formats, fund types, and criteria for determining fund types. Statement 34 also requires capital assets, including infrastructure assets, and general long-term obligations to be reported in the government-wide financial statements rather than in account groups. Infrastructure assets were previously excluded from the financial statements.

The provisions of these new standards have been incorporated into the financial statements and notes. The following table summarizes the changes to fund equities as previously reported and the beginning fund balances/net assets as restated and reported in these financial statements. These changes resulted from implementing the new accounting standards.

MORGAN COUNTY

Notes to Financial Statements - Continued

December 31, 2004

(15) Accounting Changes and Restatements - New Accounting Standards - Continued

Restatement of Beginning Fund Balances/Net Assets

	December 31, 2003 As Previously Reported	Changes in Accounting Principle		December 31, 2003 As Restated
		Fund Reclassifi- cations	Other	
Governmental activities:				
General fund	\$ 1,321,070	-	-	1,321,070
Special revenue funds	920,106	-	-	920,106
Capital projects fund	7,048	-	-	7,048
Total governmental funds	<u>2,248,224</u>	<u>-</u>	<u>-</u>	<u>2,248,224</u>
Governmental activities - net assets:				
Capital assets, net of depreciation	-	-	4,704,386	4,704,386
Long-term liabilities	-	-	(876,452)	(876,452)
Internal service fund conversion	-	53,927	-	53,927
Total governmental activities	<u>-</u>	<u>53,927</u>	<u>3,827,934</u>	<u>3,881,861</u>
Restatement due to prior period adjustment	<u>-</u>	<u>-</u>	<u>1,471,205</u>	<u>1,471,205</u>
Total governmental activities - net assets	<u>\$ 2,248,224</u>	<u>53,927</u>	<u>5,299,139</u>	<u>7,601,290</u>
Proprietary funds - net assets:				
Enterprise funds:				
Garbage funds	\$ 48,810	-	-	48,810
Internal service fund	53,927	(53,927)	-	-
Total proprietary funds	<u>102,737</u>	<u>(53,927)</u>	<u>-</u>	<u>-</u>
Total business-type activities - net assets	<u>\$ 102,737</u>	<u>(53,927)</u>	<u>-</u>	<u>48,810</u>

(16) Prior Period Adjustment

Prior to 2004, the County had several capital assets that it owned which were carried on its books at little or no cost basis. During the year, the County's staff researched these assets, most of which were donated in prior years, and determined when these assets were acquired and assigned estimated historical costs or estimates of fair value at the time the assets were acquired by the County. These assets were primarily land at the County's airport and fairgrounds. The correction in the estimated basis of these assets was \$1,471,205 which is treated as a restatement of the beginning net assets of the governmental activities in the entity-wide statements.

REQUIRED SUPPLEMENTAL INFORMATION

MORGAN COUNTY

Notes to Required Supplementary Information

December 31, 2004

Budgeting and Budgetary Control

As more fully explained in Note 1 of the Notes to Financial Statements, annual budgets are prepared and adopted before December 31 for the calendar year commencing the following January 1 in accordance with the Uniform Fiscal Procedures Act for Utah Counties. State law requires budgeted revenues to equal budgeted expenditures, and legal control is exercised at the department level. Once a budget has been adopted, it remains in effect until it has been formally revised. Budgets for the general fund, special revenue, and capital projects funds are legally required and are prepared and adopted on the modified accrual basis of accounting. Therefore, no reconciliation between budgetary schedules and the GAAP statements is required.

The Budgetary Comparison schedules presented in this section of the report are for all of the County's major funds. Original budgets represent the revenue estimates and spending authority authorized by the County Council prior to January 1. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the County Council through formal resolution. Final budgets do not include unexpected balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund

Year Ended December 31, 2004

Revenues	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Taxes:				
General property taxes - current	\$ 982,687	973,120	975,423	2,303
Fee in lieu	200,000	200,000	204,661	4,661
Prior year's taxes - delinquent	20,000	20,000	17,123	(2,877)
General sales and use tax	570,000	570,000	629,588	59,588
Restaurant tax	20,300	20,300	25,814	5,514
Transient room tax	1,000	1,000	1,481	481
Tourism tax	6,000	6,000	6,473	473
Penalties and interest on delinquent taxes	6,000	6,000	6,342	342
Assessment for levying taxes	167,812	167,812	209,896	42,084
Total taxes	1,973,799	1,964,232	2,076,801	112,569
Licenses and permits:				
Conditional use permits	6,000	6,000	11,593	5,593
Business licenses	9,000	9,000	11,085	2,085
Building permits	125,100	125,100	152,009	26,909
Marriage licenses	600	600	630	30
Animal licenses	3,500	3,500	3,527	27
Non-business licenses and permits	-	-	2,326	2,326
Total licenses and permits	144,200	144,200	181,170	36,970
Intergovernmental:				
Federal revenue	17,500	17,500	24,655	7,155
State revenue	83,200	378,128	390,134	12,006
Resource officer revenue	27,000	27,000	25,323	(1,677)
Class B revenue	275,000	275,000	332,823	57,823
State liquor allotment	-	-	15,138	15,138
Shared revenue from other governments	235,000	235,000	222,732	(12,268)
Total intergovernmental	637,700	932,628	1,010,805	78,177
Charges for services:				
Recording fees	80,000	80,000	84,024	4,024
Planning and zoning	13,500	13,500	53,975	40,475
Ambulance fees	65,000	100,000	106,188	6,188
Miscellaneous fees	7,679	7,679	9,078	1,399
Total charges for services	166,179	201,179	253,265	52,086
Fines and forfeitures:				
Court fines	147,500	147,500	146,101	(1,399)
Other revenues:				
Interest earnings	11,000	11,000	3,465	(7,535)
Rents and leases	56,100	56,100	55,795	(305)
Sundry revenue	20,000	20,000	85,147	65,147
Total other revenues	87,100	87,100	144,407	57,307
Total revenues	3,156,478	3,476,839	3,812,549	335,710

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Continued
General Fund

Year Ended December 31, 2004

<u>Expenditures</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
General government:				
Council	\$ 39,400	39,400	35,866	3,534
District Court	42,046	36,217	35,211	1,006
Justice Court	66,283	59,066	56,781	2,285
Attorney for indigent	15,000	23,346	23,346	-
Microfilming	500	500	314	186
Human resource coordinator	11,511	35,511	34,702	809
Clerk/auditor	100,097	100,097	96,045	4,052
Treasurer	98,192	98,192	97,086	1,106
Recorder	142,285	160,385	159,964	421
Attorney	136,188	136,188	132,183	4,005
Assessor	108,040	108,040	107,128	912
Motor vehicles	47,168	47,168	44,165	3,003
Data processing	127,582	127,582	125,132	2,450
Non-departmental	192,600	236,399	231,733	4,666
Building and grounds	142,286	156,835	156,835	-
Elections	37,600	28,033	20,687	7,346
Planning and zoning	201,792	201,000	196,186	4,814
Total general government	<u>1,508,570</u>	<u>1,593,959</u>	<u>1,553,364</u>	<u>40,595</u>
Public safety				
Sheriff	667,555	876,114	1,013,144	(137,030)
Records clerk	47,814	48,814	47,971	843
Dispatch services	60,000	60,000	60,000	-
Liquor law enforcement	16,000	16,000	4,764	11,236
Country fire department	59,362	62,219	222,686	(160,467)
Cooperative fire department	77,413	77,413	73,033	4,380
Jail service	45,000	125,000	118,180	6,820
Animal control	75,046	75,946	73,888	2,058
Emergency management	21,271	64,146	64,145	1
Total public safety	<u>1,069,461</u>	<u>1,405,652</u>	<u>1,677,811</u>	<u>(272,159)</u>
Public health and welfare:				
Ambulance	88,369	161,736	160,742	994
Council on aging	300	300	300	-
Total public health and welfare	<u>88,669</u>	<u>162,036</u>	<u>161,042</u>	<u>994</u>
Public works and improvements:				
Roads and highways	460,529	460,529	458,787	1,742
Weed control	8,500	8,500	8,321	179
Total public works and improvements	<u>469,029</u>	<u>469,029</u>	<u>467,108</u>	<u>1,921</u>
Parks and recreation:				
Fairgrounds	12,000	18,575	18,575	-
Fair	600	600	600	-
Rifle range	1,650	1,650	1,599	51
Recreation	13,588	13,588	13,588	-
Total parks and recreation	<u>27,838</u>	<u>34,413</u>	<u>34,362</u>	<u>51</u>
Other expenditures:				
Airport	5,000	5,792	5,791	1
TV tower	4,058	4,058	1,689	2,369
Extension service	39,339	40,140	40,105	35

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Continued
General Fund

Year Ended December 31, 2004

<u>Expenditures - Continued</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Other expenditures - continued:				
Economic development	\$ 27,300	27,300	24,830	2,470
Shared revenue to other governments	<u>20,000</u>	<u>43,500</u>	<u>34,341</u>	<u>9,159</u>
Total other governments	<u>95,697</u>	<u>120,790</u>	<u>106,756</u>	<u>14,034</u>
Total expenditures	<u>3,259,264</u>	<u>3,785,879</u>	<u>4,000,443</u>	<u>(214,564)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(102,786)</u>	<u>(309,040)</u>	<u>(187,894)</u>	<u>121,146</u>
Other financing sources (uses):				
Lease proceeds	-	-	307,377	307,377
Transfers in	-	17,658	-	(17,658)
Transfers (out)	-	(5,393)	(5,393)	-
Use of fund balance	<u>102,786</u>	<u>296,775</u>	<u>-</u>	<u>(296,775)</u>
Total other financing sources (uses)	<u>102,786</u>	<u>309,040</u>	<u>301,984</u>	<u>(7,056)</u>
Net changes in fund balances	-	-	114,090	114,090
Fund balance - beginning of year	<u>1,321,070</u>	<u>1,321,070</u>	<u>1,321,070</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,321,070</u>	<u>1,321,070</u>	<u>1,435,160</u>	<u>114,090</u>

MORGAN COUNTY

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Bond Interest Special Revenue Fund

Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ <u>262,808</u>	<u>262,808</u>	<u>268,978</u>	<u>6,170</u>
Total revenues	<u>262,808</u>	<u>262,808</u>	<u>268,978</u>	<u>6,170</u>
Expenditures:				
Current:				
Debt service	<u>262,808</u>	<u>262,808</u>	<u>262,805</u>	<u>3</u>
Total expenditures	<u>262,808</u>	<u>262,808</u>	<u>262,805</u>	<u>3</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	6,173	6,173
Fund balance - beginning of year	<u>426,985</u>	<u>426,985</u>	<u>426,985</u>	<u>-</u>
Fund balance - end of year	\$ <u>426,985</u>	<u>426,985</u>	<u>433,158</u>	<u>6,173</u>

MORGAN COUNTY

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Flood Special Revenue Fund

Year Ended December 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ _____	_____	_____	_____
Total revenues	_____	_____	_____	_____
Expenditures:				
Current:				
General government	_____	_____	_____	_____
Total expenditures	_____	_____	_____	_____
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance - beginning of year	<u>279,919</u>	<u>279,919</u>	<u>279,919</u>	_____
Fund balance - end of year	\$ <u>279,919</u>	<u>279,919</u>	<u>279,919</u>	_____

SUPPLEMENTAL INFORMATION

MORGAN COUNTY

Combining Balance Sheet
Non-Major Governmental Funds

Year Ended December 31, 2004

<u>Assets</u>	<u>Flood/ Disaster Fund</u>	<u>Health Services Fund</u>	<u>Mineral Lease Fund</u>	<u>Library Fund</u>	<u>Fair Fund</u>	<u>Library SSC Capital Project</u>	<u>Total</u>
Cash and cash equivalents	\$ 125,711	71,472	23,739	5,775	2,279	59	229,035
Prepaid items	-	-	-	465	-	-	465
Total assets	<u>125,711</u>	<u>71,472</u>	<u>23,739</u>	<u>6,240</u>	<u>2,279</u>	<u>59</u>	<u>229,500</u>
<u>Liabilities and Fund Balance</u>							
Liabilities	\$ -	-	-	-	-	-	-
Fund balance:							
Undesignated	<u>125,711</u>	<u>71,472</u>	<u>23,739</u>	<u>6,240</u>	<u>2,279</u>	<u>59</u>	<u>229,500</u>
Total liabilities and fund balance	<u>\$ 125,711</u>	<u>71,472</u>	<u>23,739</u>	<u>6,240</u>	<u>2,279</u>	<u>59</u>	<u>229,500</u>

MORGAN COUNTY

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds

Year Ended December 31, 2004

	<u>Flood/ Disaster Fund</u>	<u>Health Services Fund</u>	<u>Mineral Lease Fund</u>	<u>Library Fund</u>	<u>Fair Fund</u>	<u>Library SSC Capital Project</u>	<u>Total</u>
Revenues:							
Taxes	\$ 12,704	96,056	-	106,953	-	-	215,713
Intergovernmental	-	9,348	-	34,334	-	-	43,682
Miscellaneous	-	-	9,037	5,976	50,640	70	65,723
Total revenues	<u>12,704</u>	<u>105,404</u>	<u>9,037</u>	<u>147,263</u>	<u>50,640</u>	<u>70</u>	<u>325,118</u>
Expenditures:							
General government	-	102,559	-	141,510	-	-	244,069
Recreation and public facilities	-	-	18,739	-	51,394	7,059	77,192
Total expenditures	<u>-</u>	<u>102,559</u>	<u>18,739</u>	<u>141,510</u>	<u>51,394</u>	<u>7,059</u>	<u>321,261</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,704</u>	<u>2,845</u>	<u>(9,702)</u>	<u>5,753</u>	<u>(754)</u>	<u>(6,989)</u>	<u>3,857</u>
Other financing sources (uses):							
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,393</u>	<u>-</u>	<u>-</u>	<u>5,393</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,393</u>	<u>-</u>	<u>-</u>	<u>5,393</u>
Net changes in fund balances	12,704	2,845	(9,702)	11,146	(754)	(6,989)	9,250
Fund balance - beginning of year	<u>113,007</u>	<u>68,627</u>	<u>33,441</u>	<u>(4,906)</u>	<u>3,033</u>	<u>7,048</u>	<u>220,250</u>
Fund balance - end of year	<u>\$ 125,711</u>	<u>71,472</u>	<u>23,739</u>	<u>6,240</u>	<u>2,279</u>	<u>59</u>	<u>229,500</u>

MORGAN COUNTY

Combined Statement of Changes in Assets and Liabilities -
All Agency Funds

Year Ended December 31, 2004 .

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Circuit court fund:				
Assets:				
Cash and cash equivalents	\$ <u>8,389</u>	<u>400</u>	<u>2,031</u>	<u>6,758</u>
Liabilities:				
Due to other governmental units	\$ <u>8,389</u>	<u>400</u>	<u>2,031</u>	<u>6,758</u>
District court fund:				
Assets:				
Cash and cash equivalents	\$ <u>885</u>	<u>95,372</u>	<u>45,927</u>	<u>50,330</u>
Liabilities:				
Due to other governmental units	\$ <u>885</u>	<u>95,372</u>	<u>45,927</u>	<u>50,330</u>
Justice court fund:				
Assets:				
Cash and cash equivalents	\$ <u>15,262</u>	<u>4,285</u>	<u>6,059</u>	<u>13,488</u>
Liabilities:				
Due to other governmental units	\$ <u>15,262</u>	<u>4,285</u>	<u>6,059</u>	<u>13,488</u>
Auditor's payroll fund:				
Assets:				
Cash and cash equivalents	\$ <u>(13,611)</u>	<u>327,360</u>	<u>355,772</u>	<u>(42,023)</u>
Accounts receivable	<u>13,611</u>	<u>42,023</u>	<u>13,611</u>	<u>42,023</u>
Total assets	\$ <u>-</u>	<u>369,383</u>	<u>369,383</u>	<u>-</u>
Liabilities:				
Payroll deductions	\$ <u>-</u>	<u>369,383</u>	<u>369,383</u>	<u>-</u>
Emergency 911 surcharge fund:				
Assets:				
Cash and cash equivalents	\$ <u>38,076</u>	<u>24,211</u>	<u>49,830</u>	<u>12,457</u>
Liabilities:				
Miscellaneous funds held	\$ <u>38,076</u>	<u>24,211</u>	<u>49,830</u>	<u>12,457</u>
Other agency funds:				
Assets:				
Cash and cash equivalents	\$ <u>108,567</u>	<u>51,626</u>	<u>8,432</u>	<u>151,761</u>
Liabilities:				
Miscellaneous funds held	\$ <u>108,567</u>	<u>51,626</u>	<u>8,432</u>	<u>151,761</u>
Treasurer's agency fund:				
Assets:				
Cash and cash equivalents	\$ <u>276,714</u>	<u>5,644,391</u>	<u>5,843,455</u>	<u>77,650</u>
Liabilities:				
Due to other governmental units	\$ <u>276,714</u>	<u>5,644,391</u>	<u>5,843,455</u>	<u>77,650</u>

MORGAN COUNTY

Combined Statement of Changes in Assets and Liabilities -
All Agency Funds - Continued

Year Ended December 31, 2004

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Total - all agency funds:				
Assets:				
Cash and cash equivalents	\$ 434,282	6,147,645	6,311,506	270,421
Accounts receivable	<u>13,611</u>	<u>42,023</u>	<u>13,611</u>	<u>42,023</u>
Total assets	<u>\$ 447,893</u>	<u>6,189,668</u>	<u>6,325,117</u>	<u>312,444</u>
Liabilities:				
Due to governmental units	\$ 301,250	5,744,448	5,897,472	148,226
Payroll deductions	-	369,383	369,383	-
Miscellaneous	<u>146,643</u>	<u>75,837</u>	<u>58,262</u>	<u>164,218</u>
Total liabilities	<u>\$ 447,893</u>	<u>6,189,668</u>	<u>6,325,117</u>	<u>312,444</u>

MORGAN COUNTY

Statement of General Fixed Assets by Sources

Year Ended December 31, 2004

General fixed assets:

Land	\$ 1,292,343
Buildings	3,742,328
Improvements other than buildings	650,312
Machinery and equipment	<u>3,306,973</u>

Total general fixed assets	<u>\$ 8,991,956</u>
----------------------------	---------------------

Investment in fixed assets	<u>\$ 8,991,956</u>
----------------------------	---------------------

MORGAN COUNTY

Statement of General Fixed Assets by Function and Activity

Year Ended December 31, 2004

	<u>Total Fixed Assets</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Machinery and Equipment</u>
General government - administrative agencies:					
Clerk/auditor	\$ 14,010	-	-	-	14,010
Courts	54,822	43,397	-	-	11,425
Treasurer	10,626	-	-	-	10,626
Recorder	74,889	-	-	-	74,889
Assessor	19,512	-	-	-	19,512
Building inspector	19,740	-	-	-	19,740
Total administrative agencies	<u>193,599</u>	<u>43,397</u>	<u>-</u>	<u>-</u>	<u>150,202</u>
General government - staff agencies:					
Human resources	1,115	-	-	-	1,115
Data processing	155,528	-	-	-	155,528
Non-departmental	90,734	-	-	-	90,734
Total staff agencies	<u>247,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>247,377</u>
Public safety:					
Sheriff/animal control	865,642	-	-	-	865,642
Ambulance	191,495	-	-	-	191,495
Fire	694,132	-	-	-	694,132
Emergency services	74,467	-	1,736	-	72,731
Total public safety	<u>1,825,736</u>	<u>-</u>	<u>1,736</u>	<u>-</u>	<u>1,824,000</u>
Other:					
Roads and highways	1,027,095	36,746	216,723	-	773,626
GIS	22,838	-	-	-	22,838
Fairgrounds	709,970	210,000	244,104	240,049	15,817
Airport	1,508,542	966,800	120,000	403,998	17,744
War memorial building	1,157,365	-	1,073,522	-	83,843
Recreation parks	139,597	35,400	104,197	-	-
TV tower	40,820	-	-	-	40,820
Weed control	24,284	-	-	-	24,284
Extension service	15,561	-	-	-	15,561
Historical society	19,908	-	-	-	19,908
Right of way	6,265	-	-	6,265	-
Library	2,052,999	-	1,982,046	-	70,953
Total other	<u>6,725,244</u>	<u>1,248,946</u>	<u>3,740,592</u>	<u>650,312</u>	<u>1,085,394</u>
Total general fixed assets	<u>\$ 8,991,956</u>	<u>1,292,343</u>	<u>3,742,328</u>	<u>650,312</u>	<u>3,306,973</u>

MORGAN COUNTY

Statement of Changes in Fixed Assets

Year Ended December 31, 2004

	General Fixed Assets 01/01/04	Additions	Deletions	General Fixed Assets 12/31/04
General government - Administrative agencies:				
Clerk/auditor	\$ 17,249	-	3,239	14,010
Courts	56,741	1,550	3,469	54,822
Treasurer	19,217	-	8,591	10,626
Recorder	50,385	24,719	215	74,889
Assessor	20,090	-	578	19,512
Building inspector	24,291	-	4,551	19,740
Total administrative agencies	<u>187,973</u>	<u>26,269</u>	<u>20,643</u>	<u>193,599</u>
General government - staff agencies:				
Community services	1,635	-	520	1,115
Information technology	161,783	1,352	7,607	155,528
Non-departmental	100,130	758	10,154	90,734
Total staff agencies	<u>263,548</u>	<u>2,110</u>	<u>18,281</u>	<u>247,377</u>
Public safety:				
Sheriff/animal control	910,357	389,273	433,988	865,642
Ambulance	195,169	33,632	37,306	191,495
Fire	392,756	303,067	1,691	694,132
Health Services	870	-	870	-
Emergency services	7,279	70,000	2,812	74,467
Total public safety	<u>1,506,431</u>	<u>795,972</u>	<u>476,667</u>	<u>1,825,736</u>
Other:				
Roads and highways	1,046,528	2,921	22,354	1,027,095
GIS	24,289	-	1,451	22,838
Fairgrounds	582,048	127,922	-	709,970
Airport	269,629	1,346,779	107,866	1,508,542
War memorial building	1,142,022	15,343	-	1,157,365
Recreation park	139,597	-	-	139,597
TV tower	43,285	-	2,465	40,820
Weed control	20,419	4,355	490	24,284
Extension service	16,442	3,837	4,718	15,561
Historical society	17,694	5,637	3,423	19,908
Right of way	6,265	-	-	6,265
Library	2,065,272	12,702	24,975	2,052,999
Total other	<u>5,373,490</u>	<u>1,519,496</u>	<u>167,742</u>	<u>6,725,244</u>
Total general fixed assets	<u>\$ 7,331,442</u>	<u>2,343,847</u>	<u>683,333</u>	<u>8,991,956</u>

MORGAN COUNTY

Statement of Taxes Charged, Collected and Distributed

Year Ended December 31, 2004

				Current
	<u>Year-End</u>	<u>RDA Value</u>	<u>Adjusted</u>	<u>Tax Rate</u>
	<u>Value</u>		<u>Value</u>	
Taxing Districts				
Morgan county funds:				
General fund	\$493,686,929	4,430,535	489,256,394	0.2092%
Bonds	493,686,929	4,430,535	489,256,394	0.0465%
Library fund	493,686,929	4,430,535	489,256,394	0.0185%
Tax collection county	493,686,929	4,430,535	489,256,394	0.0175%
Tax collection state	493,686,929	4,430,535	489,256,394	0.0180%
Health fund	493,686,929	4,430,535	489,256,394	0.0166%
Flood - disaster fund	493,686,929	4,430,535	489,256,394	0.0022%
Other districts:				
School district	493,686,929	4,430,535	489,256,394	0.4015%
School basic	493,686,929	4,430,535	489,256,394	0.1800%
Morgan City	97,538,972	4,430,535	93,108,437	0.1603%
Mountain Green fire	95,262,576	N/A	95,262,576	0.0459%
Mountain Green sewer	81,441,585	N/A	81,441,585	0.0222%
Weber Basin Water	493,686,929	4,430,535	489,256,394	0.0198%
Total				

			Other Collections	
			Delinquencies	
	<u>Fee in Lieu</u>	<u>Miscellaneous</u>	<u>Tax</u>	<u>Interest</u>
		<u>Collections</u>		<u>Penalty</u>
Taxing Districts				
Morgan County funds:				
General fund	\$ 162,832	15,937	27,245	661
Bonds	36,529	2,147	6,418	161
Library fund	14,514	856	2,519	61
Tax collection county	13,780	806	2,417	59
Tax collection state	14,758	790	2,591	65
Health fund	13,046	766	2,318	57
Flood - disaster fund	1,712	103	300	7
Other districts:				
School District	315,472	18,535	52,840	1,285
School basic	148,807	7,817	25,963	641
Morgan City	31,297	2,389	3,826	152
Mountain Green fire	9,388	1,961	846	13
Mountain Green sewer	2,954	954	226	3
Weber Basin Water	15,982	886	2,782	68
Total	\$ 781,071	53,947	130,291	3,233

<u>Taxes</u>						
<u>Taxes Charged</u>	<u>Unpaid Taxes</u>	<u>Abatements</u>	<u>Other</u>	<u>Total Relief</u>	<u>Taxes Collected</u>	<u>Collection Rate</u>
\$ 1,007,959	22,874	5,283	(17,218)	10,939	997,020	99%
226,194	5,134	1,185	(3,874)	2,445	223,749	99%
89,973	2,042	472	(1,554)	960	89,013	99%
85,157	1,932	446	(1,436)	942	84,215	99%
88,143	1,987	459	(1,075)	1,371	86,772	98%
80,754	1,833	423	(1,379)	877	79,877	99%
10,687	243	56	(194)	105	10,582	99%
1,953,112	44,325	10,237	(33,403)	21,159	1,931,953	99%
882,588	19,872	4,589	(9,903)	14,558	868,030	98%
148,790	3,067	1,753	(6,212)	(1,392)	150,182	101%
43,720	1,477	192	335	2,004	41,716	95%
18,078	640	67	16	723	17,356	96%
96,719	2,186	505	(1,356)	1,335	95,384	99%
<u>\$ 4,731,874</u>	<u>107,612</u>	<u>25,667</u>	<u>(77,253)</u>	<u>56,026</u>	<u>4,675,849</u>	



Steven F. Crane, CPA
Kent R. Christensen, CPA
Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

Independent Auditors' Legal Compliance Report

Honorable Council Members
Morgan County
Morgan, Utah

We have audited the financial statements of Morgan County for the year ended December 31, 2004 and have issued our report thereon dated June 7, 2005. The County received the following non-major grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of Morgan County's financial statements.)

EMS Grant (Department of Health)
Sheriff's Patrol at Lost Creek Grant (Department of Natural Resources)
DUI Overtime Grant (Department of Public Safety)
Library Grants (Department of Community and Economic Development)

Our audit included test work on the County's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	B & C Road Funds
Cash Management	Other General Issues
Purchasing Requirements	Uniform Building Code Standards
Budgetary Compliance	Statement of Taxes Charged, Collected and Disbursed
Truth in Taxation and Property Tax Limitations	Assessing and Collecting of Property Taxes
Liquor Law Enforcement	Transient Room Tax
Justice Courts	

The County did not receive any major State grants during the year ended December 31, 2004.

The management of the County is responsible for the County's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings and Questioned Costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, except for the instances of noncompliance mentioned above, Morgan County complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2004.

Crane, Christensen & Ambrose P.C.

June 7, 2005

298 24th Street, Suite 300 • Ogden, Utah 84401 • Telephone (801) 627-2060 FAX 627-2182
Member Division of CPA Firms, American Institute of Certified Public Accountants

MORGAN COUNTY

Schedule of Findings and Questioned Costs

Year Ended December 31, 2004

PROGRAM: BUDGETARY COMPLIANCE

FINDING: The County had two departments that overspent their budgets during 2004.

QUESTIONED COSTS: None

RECOMMENDATION: The County should monitor its expenditures more closely to avoid overspending its budgets.

COUNTY'S REPLY: The two departments that were over budget were over because of a year-end journal entry to record capital leases. The overage in expenditures was off-set by the proceeds of the leases. The County will remember to include this type of transaction in future budget amendments.

PROGRAM: JUSTICE COURTS

FINDING: The County's Justice Court did not remit surcharges to the State on Form C-500 on a timely basis for several months during 2004.

QUESTIONED COSTS: None

RECOMMENDATION: State law requires that a portion of fines collected by the Justice Court be distributed to the State by the 10th day of the following month.

COUNTY'S REPLY: Subsequent to December 31, 2004, the County hired a new court clerk and the required forms and surcharges are being submitted on a more timely basis.

PROGRAM: DEPARTMENT OF COMMERCE

FINDING: One of the quarterly reports filed with the Division of Occupational and Professional Licensing was not filed timely.

QUESTIONED COSTS: None

RECOMMENDATION: To comply with State laws, the County needs to file these reports within 30 days of the end of each quarter.

COUNTY'S REPLY: The report in question was late because the building inspector was on a medical leave. The County will file future reports in a more timely manner.

Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

Honorable Council Members
Morgan County
Morgan, Utah

We have audited the financial statements of Morgan County as of and for the year ended December 31, 2004, and have issued our report thereon dated June 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Morgan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Morgan County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, County Council and oversight awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Crane, Christensen & Ambrose P.C.

June 7, 2005